

Memorandum

To: Panel Members
 Date: February 27, 2003

From: Charles Rufo, Manager
 Peter DeMauro, General Counsel
 Analyst: K. Udarbe

Subject: One-Step Agreement for **Z-World, Inc.** <100
 (www.zworld.com)

CONTRACTOR:

- Training Project Profile: Retraining: Companies With Out-of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
Stimulating Exports and Imports
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 96
 - In California: 96
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$169,680
- Substantial Contribution: \$0
- Total ETP Funding: \$169,680
- In-Kind Contribution: \$178,378
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Yolo
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

ROI, Irvine, California, at a cost of \$214,000 to provide training in Enterprise Resource Planning (ERP).

New Heights, Vacaville, California, at a cost of \$55,000 to provide classroom and lab training in Teambuilding, Management Skills, Continuous Improvement and ERP.

THIRD PARTY SERVICES:

New Heights, Vacaville, California, at a cost of \$5,000 to provide project development and assistance in ETP application for funding.

NARRATIVE:

Z-World, Inc. (Z-World) is located in Davis. The company has manufactured and assembled high-performance embedded control solutions since 1983. The company is eligible for standard retraining under the Out-of-State Competition Provisions outlined under Title 22, California Code of Regulations, Section 4416(b) for industrially classified manufacturers retraining current employees.

Z-World is a small company with a diverse product line. The company installs various controls, or *embeds controls* in industry parlance, into small panel boards as small as a 3.5-inch floppy disk, up to the size of a square foot. The controls that are assembled in the boards are customized to have combinations of functions to meet the different needs of industrial users. These products are installed in computers found in industrial, commercial, and scientific applications, including: wireless communication and networking devices; medical devices; automated food production systems; and, railroad crossing control and monitoring. Z-World has 96 full-time employees.

Customers include Lockheed, Boeing, McDonnell Douglas, IBM, GM, Ford, and NASA, and thousands of domestic and international small- and medium-sized companies.

During the past five years Z-World has continued to expand its markets outside of California. The company's gross sales for 2002 was \$14.8 million. Of its total sales, 89% was generated from markets outside California (54 percent U.S. market and 35 percent international market).

To support this continued growth Z-World has invested over \$600,000 in capital equipment, known as the Surface Mount Assembly (SMT) line. These machines are used in making many of the products Z-World develops and sells worldwide. This investment was needed to expand production and to meet sales goals.

Another \$600,000 was invested in infrastructure in preparation for the ERP program that will streamline the company's procedures for collecting and processing financial data, controlling inventory, maintaining stock on hand, sales and daily production measurements. According to Z-World representatives, these functions currently are performed manually and the new system will streamline reporting processes as well as enhance quality controls. In the past, Z-World has had an enormous amount of material waste. Company representatives have determined that tangible savings are achievable if the problem of waste in manufacturing processes is addressed, and that large savings in materials and time will be realized once improved processes, measurements and controls are fully implemented, due to the company's adoption of the new system.

Due to production priorities and the lack of internal training resources, Z-World has been unable to schedule or implement as much training as required. Classroom training will introduce concepts and encourage people within the organization to learn and share experiences with one another. Laboratory activities will follow group discussions for application of concepts and new learning. Each lab activity will train employees with real issues throughout the learning process.

NARRATIVE: (continued)

The training site will be at Z-World's main building in Davis, California.

Types of Training

BUSINESS SKILLS: Z-World officials have determined that sales personnel need to improve their skills. Customer Service and Sales personnel will, therefore, undergo training in sales and phone skills, customer service skills and presentations. Company officials state that the training is designed to redirect the company's sales efforts toward a targeted market and to increase Z-World's focus on customer service. The company's overall goal is to retain more repeat customers and gain additional sales.

CONTINUOUS IMPROVEMENT: The Continuous Improvement portion of the curriculum contains a spectrum of occupational skills that include Statistical Process Control (SPC), Problem Solving, Teambuilding, Quality Concepts, Total Quality Management, Production Operations, Process Improvement, and Decision-Making.

According to Z-World representatives, all functional units in the company currently work independently from each other with few measurement tools and little overall integration and direction. Z-World wants to change this. The proposed training will have three areas of focus: intact teams (working with one another), team problem solving, and project teams (working with other teams).

The accounting and finance units will spend the majority of training in continuous improvement techniques and the ERP system implemented throughout the organization.

Also, all units related to and involved in the production process will have training in continuous improvement. This training will be based on the techniques of Total Quality Management. This training is needed to better control inventory, eliminate waste, enhance quality and increase revenue.

MANAGEMENT SKILLS: Z-World managers are "homegrown" employees and most have not had formal training. These employees were promoted because they did a job well in the past. Many managers, however, have not received proper management training and do not fully realize their management functions and responsibilities. The Management Skills portion of the curriculum includes instruction in leadership skills, motivation of employees, coaching, conflict management, and employee development and supervision. The expected objectives will include improved productivity and morale.

Supplemental Nature of Training

According to Z-World representatives, Z-World's focus has been on training its employees in highly technical skills. This training is hands-on, one-on-one, and time consuming. As a result, the company's production workers can take eight to twelve weeks to learn how to operate and maintain a specific piece of machinery. In addition, several employees outside of the production units have received training based on specific issues and needs experienced at a given time.

The proposed ETP training project will be focused on Continuous Improvement Skills and learning to work well as a team. Current employee training in teambuilding, continuous improvement principles or communicating with others is not consistent, and, therefore, not effective. The proposed ETP training will develop and implement teambuilding and continuous improvement techniques that will help employees understand, as a whole, where and how to minimize production problems, learn new production systems, maximize productivity, work better cross-functionally to enhance product quality, and respond timely to the needs of customers.

NARRATIVE: (continued)

ETP funding support will enable the company to introduce and provide training to all levels of the organization. Z-World does not have the resources to provide the proposed types of training over and above its ongoing technical skills training.

In-Kind Contribution

Z-World, Inc. is committed to provide in-kind contribution as follows:

Wages paid to trainees during training	\$ 161,578
Training materials and supplies (used for lab training)	<u>\$ 16,800</u>
Total	<u>\$ 178,378</u>

COMMENTS:

All the participants meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400 (ee), except for 18 supervisors/managers.

PROPOSED ACTION:

Staff recommends that the Panel approve this one-step agreement if funding is available and the project meets Panel Priorities. This recommendation is based on the support and promotion of the manufacturing workforce and support given to a California small business that is expanding sales nationwide.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainee<100	Business Skills Continuous Improvement Management Skills	84	40 - 168			\$800 - \$3,360	*\$10.98 - \$32.62
					<u>Range of Hourly Wages</u>		
					\$10.98 - \$32.62		
					<u>Prevalent Hourly Wage</u>		
					\$21.00		
					<u>Average Cost per Trainee</u>		
					\$2,020		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
*Medical, dental, and vision health benefits of at least \$ 0.75 per hour may be used to meet the 2003 ETP minimum wage of \$10.98 per hour for Yolo County.					13%	21%	

Z-World, Inc.

Menu Curriculum

Class/Lab Hours
40 – 168
Hours

Trainees will receive training in any of the following:

Business Skills

Project Management

Customer Service

Sales

Communication Skills

Time Management

Presentation Skills

Diversity Awareness

Conflict Management

Understanding Change

General Accounting

Continuous Improvement

Statistical Process Control

Problem Solving

Teambuilding

Quality Concepts

Total Quality Management

Production Operations

Process Improvement

Decision-Making

Management Skills (Only for Managers/Supervisors)

Leadership

Motivation and Coaching

Management Development

Meetings

Employee Development

Managing Change